

The Role of Credit in Employment Growth in Cooperative: The Case of Iran

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Abstract

Credit schemes have formed an essential part of the programs for establishing cooperatives in all economic sectors in Iran.

Inspired by the Constitution of the Islamic Republic of Iran, cooperative movement has been escalated right after the 1979 Revolution. According to article 44 of the Islamic Republic Constitution, cooperative sector is ranked as the second most important economic sector of the national economy.¹

The spirit of the Constitution is to exercise comprehensive social justice throughout society, by helping the unemployed to set up cooperatives with equal share in ownership and decision making.

Despite the Constitution's emphasis on cooperative sector and considering the fact that the Constitution is now a quarter century old, cooperative sector is still a weak part of the national economy.

The Iranian government has implemented different supportive measures to persuade establishing new cooperatives and help active ones. However, our study has revealed that many formally registered cooperatives are in practice anything but private companies that have changed apparently to cooperatives for using credit facilities and other government's support and escaping taxes.

To answer the question how successful cooperatives have been in their expected task of job creating, the specific case of women's cooperatives in Mazandaran² province has been studied, besides investigating the cooperative laws and related formal and informal information and statistics, through questionnaire and direct interview with manager of cooperatives and the experts in the cooperative offices.

Our study shows that cooperative sector has not been successful in creating job opportunities for poor unemployed.

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¹ Article 44 : The economy of the Islamic Republic of Iran is to consist of three sectors: state, cooperative, and private, and is to be based on systematic and sound planning. The state sector is to include all large-scale and mother industries, foreign trade.... The cooperative sector is to include cooperative companies and enterprises concerned with production and distribution, in urban and rural areas, in accordance with Islamic criteria. The private sector consists of those activities concerned with agriculture, animal husbandry, industry, trade, and services that supplement the economic activities of the state and cooperative sectors....

² Mazandaran is a province in the North of Iran.

I. Introduction

Cooperative is the institution of voluntary activity of a group of economic agents who own a collective property and democratically control the works which must ultimately meet their economic and social needs.

Historically speaking, cooperatives have been established in industrial economies to mitigate the problems workers confront with. It can be said that thus far cooperatives have played a key role in job creation and increasing the level of employment in such economies. In contrast to industrial economies, cooperatives usually have benefited from governmental supports in some less-developed countries, which have led to a weakened cooperative movement in most cases. In other cases, India among them, governmental supports through direct control of non-government organization, have resulted in successful cooperative movement, which has yielded a sustainable and acceptable level of job creation and employment.

In low-income countries, in which the majority of population suffers from poverty, cooperatives have no choice except to be dependent on governmental supports. This support should not necessarily be in the form of direct financial assistances. Generally speaking, governments can and should facilitate the cooperatives' access to credit facilities. If such policies are efficiently implemented, then not only establishment of small cooperatives is not a far-reaching ambition but also their expansion could be reasonably expected. In addition, small firms may be enabled to move from informal to formal sector as a consequence of such policies.

During past 4 decades Iranian women have increasingly entered the labor market. But due to the insufficient job opportunities, the unemployment rate of active women has increased. So the government implemented policies to support women's economic activities. Government has given priority to "Women's Cooperatives" in order to facilitate the process of getting loans.

Iranian's Women's Cooperatives" started its operation formally in 1997. A glance at its 8 years performance reveals that government financial support is neither a sufficient nor a necessary condition for an active and successful cooperative firm. In fact considerable part of the public budget has been poured into channels that have not created sustainable jobs.

This article investigates the effects of implementing credit policy in Cooperative Sector. In this context the possibility of employment creation in "Women's Cooperatives" in Mazandaran province has been studied. For this purpose a questionnaire was designed and filled out by active members of Women's Cooperatives to find out whether government credit policy has helped sustainable employment in "Women's Cooperatives" or not.

This article is consisted of 7 sections. Section II is a review of literature on the role of credit policy on women's employment. Section III is devoted to the

Cooperative Sector in Iran economy. Section IV portrays a formal picture of "Women's Cooperatives" in Mazandaran. Section V discusses the data and information obtained from the questionnaire. Section VI discusses the issue of employment generation by the women's cooperatives using official information and the results from fieldwork studies. The last section is devoted to conclusion and suggestions.

II. Governmental Support for Employment Generation

In the 1990s, credit policy had been promoted as the single most important mechanism in poverty alleviation and job creation, especially for women.

The lack of access to informal and formal credit by many entrepreneurs has been identified by numerous studies as *a* major, some even say, *the* major constraint. ILO studies in the Philippines, Bangladesh and Trinidad and Tobago place the lack of capital, especially in the start-up period, as the problem most often mentioned by women micro entrepreneurs. These studies confirm that this problem is more severe for women than for men. (Peace and Hulme, 1994; Creevey, Ndour and Thiam, 1995).

A study from Bangladesh confirms improvements in women's physical mobility, economic security, ability to make own purchases, freedom from family domination and violence, political and legal awareness and public participation, as a result of a more stable integration into microfinance circuits (Schuler and Hashemi, 1994).

MkNelly and Watetip (1993) have stated that credit facilities can enhance women's empowerment, such as increased self-confidence, and better cooperation with others has also been observed in Thailand.

In Latin America, a study in Ecuador found a significant increase in hourly income for women and in efficiency and productivity of their enterprises, because of implementing credit policy (Buvinic, Berger and Jaramillo, 1989).

A study in Sri Lanka found that loans contributed to women's independent income, giving them more bargaining power in their relation with male family members (Hulme and Mosley, 1996).

Pitt and Khandkar (1995) show that credit to women has positive effects on the schooling of girls, it increases women's asset holdings (except land) and is a significant determinant of total household expenditure.

Studies of women-focused credit projects, mostly carried out by the implementing agencies themselves, generally have found positive economic and social benefits resulting from these projects and have shown credit projects to be generally superior to other types of income-generating initiatives (Buvinic and Yudelman, 1989).

The study of Grameen Bank, in Bangladesh suggests that women participants in credit programs are more conscious of their rights, better able to resolve conflicts, and have more control over decision making at the household and community levels. Microfinance and microcredit is not the answer to all the problems of poverty in developing countries, but it is indeed an 'inducer' to a great many actions that can lead to a better quality of life for the low-income groups. (Chen, 1992).

Yet another survey of loans to women borrowers in the Grameen Bank, Bangladesh, registered a loss of direct control over loan use (Ackerly, 1995).

According to a more recent study of women borrowers in the Grameen Bank, 10 of 40 women in the sample were passing on all or most of their loans to male family members under circumstances that gave them little control over the use of this capital (Todd, 1996).

In such cases, using women as unpaid debt collectors that facilitate intermediation between micro-finance institutions and male family members thereby reducing lenders' transaction costs (Ebdon, 1995).

Some researchers have expressed concerns that women's microfinance programs may be merely using women as unpaid debt collectors mediating between development agencies and male family members, increasing their dependency on men and/or conflicts between women to fulfill repayment targets. Especially in developing countries, in most cases the loans have been used by men to set up enterprises over which women have little control. In some cases women have been employed as unpaid family workers with little benefit. (Goetz and Sen Gupta 1995; Noponen 1990).

However, some other studies have also detected negative impacts on women's income and employment, such as increased work loads (Vengroff and Creevey, 1994). Also, a positive impact on non-participants, such as the welfare and education of children, cannot be automatically assumed (Peace and Hulme, 1994; Creevey, Ndour and Thiam, 1995).

The available evidence highlights that a significant part of women, who may have *access* to finance, may not have *control* over the loans contracted (Sebstad and Chen, 1996):

Goetz and Gupta show that about 63% of women's loans are actually invested by male relatives, while women bear the formal responsibility for repayment in a Bangladesh program a study of 151 Grameen Bank loans to women found that 12% surrendered the entire loan to male family members. They found that the majority of women borrowers did not control either the loans received or the income generated from their activities.

Empirical studies show that credit by itself cannot overcome patriarchal systems of control at household and community levels, this potential are not always realized.

The reality is that credit programs rarely reach the poorest. One reason for this is that the tiny loans required by the very poorest people are too small to

generate significant interest income for lenders and are expensive to deliver, especially in the case of hard-to-reach rural populations. They can not benefit from credit policies because of their initial low resource base, lack of skills and market contacts. In some contexts schemes mainly benefit women who are already better off. (Hulme and Mosley 1996; Montgomery 1996; Noponen 1990)

Even if credit is made available to an increasing number of poor women, it cannot be regarded as a panacea for all ills. In addition to financial interventions, other complementary activities should be supported. These may include addressing *strategic needs* such as legal and institutional change.

In theory, entrepreneurs and the self-employed take the risk of starting a business in market economies. They must be creative and self-confident. However, in practice direct and indirect support of the governments is an important factor of success of the newly established firms (Farel, 1994).

Women are more often deficient in accounting and managerial skills and they have limited time available for training. Cheap and subsidized loans hide the problem of inefficient financial management, for a while, but in long run the effects of financial difficulties will appear more severely (Afshar 1992).

There are different studies that show positive and negative effects of credit policies. But it is increasingly believed that governments' role for promoting employment is not limited to financial support. It is necessary to apply simultaneously consistent training policy and create suitable business environment for small firms by eliminate the restricting laws and regulations. Subsidized loans and tax exemptions encourage the establishment of weak firms that most of them will not be able to continue their business. Such policies create a kind of rent for people who have good relation with the responsible officials for confirming the loans (Cagatay, 1995 and Kabeer, 1999).

After the Islamic revolution, Iranian government tried to create job opportunities, by providing credit facilities, specially for cooperatives. But by passing more than a quarter of a century the result of the credit policy has not been successful to create sustainable employment.

III. Cooperative Sector in Iran

The first Iranian cooperatives began their work in 1974, mainly in villages. The aim of establishing these cooperatives, which used to benefit from governmental supports, was to improve the welfare of post-land-reform farmers.

After Islamic revolution, social justice was announced as being the first priority. According to Article 44 of Islamic Constitution cooperatives were and are the

second most important economic sector of the country (next to public sector). Private sector is ranked as the third one.

It seems that the major aim of supporting cooperative sector was limiting the process of wealth accumulation in the hands of a small group, but not by creating a dominant public sector. So Cooperatives seemed to be the third way between capitalism and socialism.

It was expected that cooperatives in one hand will motivate team working, will increase the sense of responsibility and will reduce income inequality, and will help to collect small savings and increase the economic growth and facilitate the difficult process of development in the other.

In 1992 "Ministry of Cooperatives" was established to accelerate the expansion of cooperative sector. "Ministry of Cooperatives" has applied different supportive measures such as credit facilities, subsidizing national exhibitions for cooperatives, tax exemptions, and introducing free training courses.

The Ministry of Cooperatives has formally announced that more than 90 percent of cooperatives have received loans. In contrast, small ordinary private firms have had no access to bank credits. As a consequence of this discriminative allocation of financial resources, numerous private firms and companies have artificially redressed themselves as *cooperatives*, though actually never became a real cooperative of equal capital share and democratic insider control of the firm.

It is worth noting that many small Iranian private firms suffer from limited cash flow and working capital because they have no access to banking system financial resources at the very first stages of their establishment, which is more critical in terms of firm's survival ability. As a consequence of this problem, they resort to informal capital markets, where interest rates are very high (60 percent and more). Large parts of these firms get bankrupt because they fail to repay their debt and some of the managers of these companies are sent to jail. So gaining from easy loans from rationed-based formal capital market can be evaluated as an important incentive for setting up a cooperative in general, and a women's one in particular.

In sum, despite government support of cooperatives in the course of past 25 years, Iranian cooperative sector has experienced a very slow growth. The share of the sector in the Iranian economy is almost 0.5 to 0.6 percent. Due to formal statistics of the Ministry of Cooperatives, all supportive measures have yielded very poorly and at present there are many inactive cooperatives all around the country. As table No. 1 shows, more than one third of total cooperatives are inactive; and it is not clear that among "active" cooperatives what proportion of the firm are really working and how many of the working cooperatives do follow the principle of identical shares for all shareholders and which have ever exercised democratic control over the performance of the firms (one shareholder, one vote).

Table No. 1

**Active and Inactive Cooperatives in Iran
(2003)**

Activities	Active	Inactive	Active and Inactive	Inactive (Percent)
Industries	4,026	3,216	7,242	44.4
Mining	864	668	1,532	43.6
Agriculture	7,960	3,054	11,014	27.7
Carpet viewing	553	440	993	44.3
Civil works	430	1,224	1,654	74.0
Services	6,013	1,904	7,917	24.0
Total	19,846	10,506	30,352	34.6

Source: Ministry of Cooperatives, 2005.

As the table shows in industries, mining, carpet viewing and civil works more than 40 percent of cooperatives are inactive. The worst case is civil works, the cooperatives that are active largely in construction works, with more than 70 percent inactive cooperatives.

The distribution of inactive cooperatives differs in various parts of the country. Table No. 2 indicate that the distribution of active and inactive Industrial cooperatives in provinces.

As the table shows, in 8 provinces, from 28 total provinces of the country, more than half of the industrial cooperatives are formally inactive. The worst case is in Hormozgan, which is a relatively poor province in the southern part of Iran. It shows that many cooperatives get the loan to expand industrial sector, did not start the work or stop working after a while.

In other provinces like Mazandaran, Golestan and Kurdistan about 60 percent of industrial cooperatives are formally inactive. As mentioned before, there are many cooperatives that are formally among active firms, but actually do not work.

Table No. 2

**Industrial Cooperatives in Iran
(2003)**

Provinces	Active	Inactive	Active&Inactive	Inactive (Pct)
Azerbaijan(East)	126	69	195	35.4
Azerbaijan(west)	121	115	236	48.7
Ardebil	65	74	139	53.2
Isfahan	174	147	321	45.8
Eilam	72	46	118	39.0
Bushehr	34	68	102	66.7
Tehran	252	92	344	26.7
Chahar Mahal	119	27	146	18.5
Khorasan	309	193	502	38.4
Khuzestan	204	234	438	53.4
Zanjan	83	74	157	47.1
Semnan	117	117	234	50.0
Sistan&Baluchestan	95	23	118	19.5
Fars	240	157	397	39.5
Ghazvin	122	32	154	20.8
Ghom	60	47	107	43.9
Kurdestan	107	158	265	59.6
Kerman	270	152	422	36.0
Kermanshah	158	170	328	51.8
Kohkiluieh	129	57	186	30.6
Golestan	77	115	192	59.9
Guilan	144	80	224	35.7
Lorestan	164	76	240	31.7
Mazandaran	243	355	598	59.4
Markazi	258	162	420	38.6
Hormozgan	35	153	188	81.4
Hamadan	85	97	182	53.3
Yazd	161	126	287	43.9
Total	4024	3216	7240	44.4

Source: Ministry of Cooperatives, 2005.

The real picture of cooperative sector can be gloomier than the formal one. There are many exaggerated announcement from the Ministry of Cooperatives regarding the employment creation in cooperatives. Table No. 3 shows that in

2003 the total employment of the cooperatives must be about 800 thousands person. But more that 30 percent of employment possibilities are gone in the inactive cooperatives. Therefore the total employment in cooperatives is formally about 545000 persons. As we can see later, most part of the formally announced jobs never has been created; and in many cases the actual jobs are part time, unsecured and in peace works and are similar to the jobs in informal sector.

Table No. 3

Employment in Active and Inactive Cooperatives in Iran (2003)

Activities	Active	Inactive	Active&Inactive	Inactive (Pct)
Industrial	99,753	58,318	158,071	36.9
Mine	19,942	9,005	28,947	31.1
Agriculture	145,380	49,996	195,376	25.6
Carpet viewing	120,237	80,236	200,473	40.0
Civil works	10,653	12,942	23,595	54.9
Services	149,075	34,053	183,128	18.6
Total	545,040	244,550	789,590	31.0

Source: Ministry of Cooperatives, 2005.

In sum, cooperative sector could not use the credit facilities for promoting growth and employment. For depicting clear picture of cooperatives' position in employment creation, we decided to investigate directly about women's cooperatives in Mazandaran. These cooperatives are clear example of failure of credit policy in employment generation, without necessary supplementary programs.

Women's Cooperative in Mazandaran

Since 40 years ago, during the quick economic and social changes in Iran, Iranian women started to enter into the urban labor market, and out of the houses. In 1966 about 1 million women were economically active. In 1975 this number increased to 1.5 million persons.

After the Islamic Revolution (1979) and during the Iran–Iraq war (1981-88), the number of active women decreased, due to recession and new attitude regarding women's economic activities outside the house. But after the war, women entered increasingly into the labor market. So the number of active women passed 2 million persons in the year 1996, but the ratio of active women in Iran is much lower than developed and most developing countries.

In the year 2001 the participation rate of men was 62 percent. This ratio was 12 percent for women, while unemployment rate for men and women were 13 and 20 percent respectively.

For combating women's high unemployment rate, Iranian government decided to prioritize the credit facilities for women's cooperatives. Due to the rules, cooperatives which have more than 70 percent women members are considered women cooperatives.

By implementing the new supportive policies, the number of women's cooperatives increased very rapidly. But women's cooperatives are generally concentrated in such fields of economic activities that are traditionally dominated by women as handicrafts and clothing. These activities need a lesser stock of capital, a simple technology, and cheap and easily available raw materials. To produce cloths and handicrafts, women are not required to go to workshops. Rather they can produce these commodities in their houses.

The number and proportion of women's cooperatives that are engaged in services like software training courses, driving schools and baby care in kindergartens, are escalating too. Such activities are more or less the extension of women's traditional activities of teaching and child caring.

Regarding farming cooperatives, Iranian women face special difficulty; as traditionally they have not had the right to possess land. So in most farming women's cooperatives, in fact these are the men who control the activities and use the female member to register a woman's cooperative and gain from governmental support subsequently.

For depicting clear picture of employment in cooperative, we concentrated on Women's cooperatives in Mazandaran province. The number of Women's Cooperative in Mazandaran increased considerably during 1997-2003. According to official statistics, in the year of 2003 there have been 503 formally registered Women's cooperatives in, just a quarter of which have been reported as active, more than 41 percent inactive and the rest (about 34 percent) have been registered, perhaps received the loan but are passing the process of preparation³. Generally the registered cooperatives will be considered as active 6 months after receiving the loan.

³ Registered cooperatives, are eligible to receive loans from the bank, then they have 6 months to 1 year to start repayment the loan. The period between the formal registration and starting the loan repayment is called formally the period of preparation. It means that cooperatives have to equip the workshops or firms to be able to start their activities. By starting the repayment of the loans, cooperatives are called active cooperatives. But it can not be sure that by starting the repayment of the loan, cooperative is really working or not.

As is shown in table 4, 40 percent of the cooperatives are engaged in production of clothing, 17.4 percent of these cooperatives are producing carpets, woodworks and other handicrafts. In other areas of activities there are mostly cooperatives that provide such services as kinder gardens, schools, and hairdressing. All these activities fall within female traditional activities. There are also new fields of activities such as software training and female driving schools. But the proportion of these firms is relatively low among women's cooperatives.

Table No. 4
Women's Cooperatives in Mazandaran
(2003)

Activities	Active		Inactive		Active& Inactive	Inactive (Percent)
	Numbers	Percent	Numbers	Percent		
Agriculture	10	8.0	2	1.0	12	16.7
Clothing	47	37.6	152	75.2	199	76.4
Handicrafts	11	8.8	9	4.5	20	45
Carpet viewing	14	11.2	17	8.4	31	54.8
Others	43	34.4	22	10.9	65	33.8
Total	125	100	202	100	327	61.8

Source : Ministry of Cooperatives (Local Office – Mazandaran Province)

The highest rate of inactive cooperatives (75.2 percent) is in clothing sector. It seems it has been very easy for 7 women to register a cooperative, receive the loan, divide the money in between, perhaps for solving the financial problems of the family , and not bother themselves for starting up a firm. For obtaining the necessary information on employment in women's cooperative, we arranged an investigation about active women's cooperatives in different part of Mazandaran.

IV. The result of the field work

To investigate the actual situation of women's cooperatives in Mazandaran, besides gathering the information and getting statistics from the Iranian Ministry of Cooperatives and its local offices, a questionnaire was designed and filled subsequently with the collaboration of Mazandaran University undergraduate students. Distributed as large as 84 copies, the main focus of the questionnaire was on issue of the economic activities and the employment creation possibilities in women's cooperatives in different cities of the province. According to the formal statistics there are 503 women's cooperatives in Mazandaran, out of which only 125 have been reported as active. Statistically speaking, the above-mentioned questionnaires have targeted 60 percent (74 firms) of active cooperatives. But as many cooperatives are formally active, but actually do not exist, our study has covered more than 70 percent of the women's cooperatives in the province. Because in many cases addresses of cooperatives were found, but actually there were not any active firm. In some other cases the cooperatives had stopped working after a while. There were addresses that the students could not find at all.

Many inactive cooperatives are formally announced active, because the officials do not have regular contact with cooperatives and do not report that they are inactive. Therefore it takes long time to amend the list of active and inactive cooperatives.

In addition, the author has visited several women's cooperatives in person not to miss the chance of direct observation and communication with the people there and have the opportunity to discuss the pro and cons of women's cooperatives and the obstacles they confront with. This empirical study does not contain any information regarding inactive cooperatives. It is just an effort to provide the reader with some information and analysis regarding active cooperatives and in few cases some information on cooperatives that are in the period of preparation.

Male Dominance in Women's Cooperatives

Similar to many developing countries, in Mazandaran the management of the women's cooperatives, in many cases is actually in the hands of men. The presence of women in cooperatives is just for applying loans and using other concessions. So the government financial support of women's cooperatives has caused the establishment of many cooperatives that are actually created by men with the help of female relatives and friends to be able to achieve the special advantages for women's cooperatives. This makes it hard, if not impossible to distinguish genuine women's cooperatives from the artificial ones by referring

solely to official data. However, one may achieve to draw a borderline if one establishes direct contact with truly active cooperatives.

For example a food processing factory that is established in 1994, and has about 40 workers, has changed to a women cooperative in 1999, for obtaining special credit facility and tax exemption. The owner of the factory has registered a woman cooperative with the apparent management of his wife, but actually there is not any new cooperative.

In other case, the woman cooperative that produces cover for electric appliances, in fact is inactive. The real user of the loan (about 10,000 U.S. dollars) is a male relative, who is living in another province and the local cooperative officials do not know about the exact consequences of the use of credit, which is, most probably, taken out of the province.

In clothing cooperative, formally a private firm which has been active for long time, arranged to register as a woman cooperative in 2001. There are 11 female workers in this "*cooperative*". Most of them are the ordinary piece rate workers of the firm, and not the member of the cooperative. The male owner of the firm, has registered the *cooperative*, by using the name of female workers as the members of cooperatives.

Another private firm which was established in 1989, and was active in producing special designing materials for china, is changed into woman cooperative in 2001. In this *cooperative*, the male manager is the owner of the private company. The female workers apparently are the members of the *cooperative*.

We find out the managers of 25 percent of the visited cooperatives were men. Even in cereals packaging cooperative, which all works are done by women in their houses, the male manager of the *cooperative*, is the owner. In such cases the owners arrange the legal documents that confirm their property right. So the *cooperatives' members* can not claim any share of the properties.

As Ebdon (1995) has explained that in such cases women act as unpaid debt collectors, that facilitate intermediation between finance institutions and male family members, the evidence in Iran also confirms that women's cooperatives can reduce the transaction costs of borrowing for men.

V. Employment creation by Women's cooperatives in Mazandaran

The official statistical data on high growth rate of employment in the cooperatives must be treated cautiously. In fact many newly established cooperatives have not created any opportunities. For example in some handicrafts cooperatives perhaps there is only one part-time worker put on work. Even this worker can be originally a government employee who works as a handicrafts-worker as her second job.

In most cases handicrafts and clothing cooperative workers are part time and do the work in their houses and receive piece rate earning. The majority of these workers are self employed and even if the cooperative stops working, they can continue their own work.

According to formal statistics, carpet and handicrafts cooperatives have the highest rate of job creation. As an example, a handicraft cooperative has 146 members and all of them work in the firm. But in fact most of them are either housewives or young girls who work in their houses and sell their final product to cooperative. The cooperative pays them by piece rate. So formally the cooperative has created job opportunity for them but in fact most of them were already working prior to the formal registration of the cooperative.

As mentioned earlier some of the private firms switched to cooperative mode of economic activity to obtain credit facilities and tax exemptions. During the registration procedure, cooperatives must announce officially the number of their workforce. These numbers are compiled as official statistics and then announced as aggregate number of jobs created by cooperatives, while the actual new jobs are much lesser.

Cooperatives receive loans to equip workshops and expand their activities. As is shown in table 4, about 62 percent of Mazandaran's women's cooperative are inactive or dormant.

The large parts of women's *active* cooperatives are small firms. About 34 percent of these cooperatives (25 firms) have more than 10 workers. These cooperatives are such as carpet, handicrafts and clothing, in which employees generally work at home. The number of workers and working hours are flexible and change easily following the changes in market demand. So most cooperatives' workers are casual workers⁴ and have not job security and are not supported by labor law. In most cases the daily piece work earning or daily wage, is much lower than the official minimum wage. About 48 percent of the cooperatives is stated that the cooperative's employees were not covered by any social security insurance.

The great part of these workers is self-employed and in some specific cases has agreement with the cooperatives to produce them commodities

In clothing and carpet viewing cooperatives, packaging food stuffs . . . the members of *cooperatives*, in fact are ordinary casual workers, who receive piece work earning.

Regarding terms such as job insecurity, high level of workers turn over⁵, lower than official minimum wages and the absence of social security insurances and pension pays, cooperatives are similar to small firms in informal sector.

So as Mayoux (1995) has stated women employers do not give better wages and conditions of work than men.

⁴ Workers who work on daily wage and do not have any contract

⁵ Casual workers are generally moving in and out of the workshops so the number of workers hiring and firing is high in cooperatives.

As table No. 5 shows 871 employees were working in 74 sample women cooperatives. In other word each cooperative has about 12 employees. It is not possible to calculate the real employment generation in the cooperatives in our sample. But in fact the job creation possibility of women's cooperative has been much less.

For example in industrial cooperatives, there is the food processing factory with 40 employees which is not a cooperative and has been working for more than 10 years as a private firm. There are many similar examples in different activities.

As it was emphasized earlier, formal statistics regarding the job creation of women's cooperative in the province does not conform to the reality. In fact the cooperatives have failed to create full time sustainable employment.

Table No. 5

Employment in the Sample Cooperatives

Activities	Numbers	Employees	Average Employment
Carpet viewing	9	125	13.9
Clothing	16	147	9.2
Handicrafts	11	249	22.6
Industries	6	95	15.8
Agriculture	8	45	5.6
Driving & Computer training	11	66	6.0
Schools & Kindergartens	4	78	19.5
Other Services	9	66	7.3
Total	74	871	11.8

The weakness of cooperative sectors, despite of the generous government financial support, has caused some concern among a group of policy makers. Many officials in Management and Planning Organization insist that government must put an end to special help to cooperatives and must treat them similar to other different types of firms. But there are other policy makers, specially the officials in the Ministry of Cooperatives, that still argue for the effectiveness of cooperative sector and its ability to guarantee economic justice.

Credit Policy and its Implementing Body

The most important objective of the local offices of the Ministry of Cooperatives is *increasing* the number of newly established cooperatives and jobs officially created by them rather than actual level of employment and production. In addition providing credit facilities to cooperatives sometimes creates unique opportunities of rent-seeking for the close relatives and friends of government authorities.

As an example, a handicrafts cooperative received 70 million Rials (almost 9000 \$) long run and relatively cheap loan in 2002, and two years later, in 2004, again got a new loan of 80 million Rials (about 10000 \$). So a small firm had been able to receive 150 million Rials (19000\$) during two years. In fact this cooperative did not equip the workshop and created no new job. The director of local cooperative office was against approving a new loan for this cooperative, but the manager managed to get the loan resorting to some higher authority's contacts.

In many cases the loans which are given for workshop equipment of cooperatives, escape to more profitable activities in construction or services sectors and the workshop remains in a fragile condition with a few piece rate wage, casual laborers who work with old equipment. For example one of the handicrafts cooperatives that had received a cheap and easy loan of 150 million Rials (almost 19000\$) used up the loan in housing market and its old workshop remained as intact as it was prior to the loan: dirty and unequipped with few causal workers; and the Cooperatives local officers did not even protest against the manager behavior. As there is not real supervision of credit use, the money escape easily out of the cooperative sector, to the more profitable businesses, such as real state and trade, which in most cases can not create sustainable employment.

Due to the main objective of the Ministry of Cooperative to increase the number of cooperatives, the local offices try to motivate people to establish new cooperatives. In 2002, the cooperative offices asked the Job Seekers Registration Centers to introduce job seekers to them. Then they created new cooperatives for every 7 job seekers⁶ and gave each of them 14,000,000 Rials (almost 17,500 \$) of very cheap loan. Obviously enough, as job seekers do not know each other in advance and do not like necessarily to have similar activities, many of these registered cooperatives will not be able to continue their work and create sustainable employment.

The officials also have tried to establish new *cooperatives*, by persuading the family producers of handicrafts to register a formal *cooperative*, to be able to receive long term loan, with relatively low interest rate.

⁶ According to the Iranian Cooperative Regulation, the minimum number of members of a cooperative should not be less than 7 individuals.

In past two decades the Iranian government has provided generous credit facilities to cooperative sector, while most part of small enterprises have not access to formal capital market and have to borrow in informal capital market with high interest rate. So credit policy has created special rent for *cooperatives*; but has not been successful in employment generation and economic growth.

VI. Concluding Remarks and Recommendations

Official statistics and the result of our field work reveal that a large part of the cooperatives have been established just to obtain credit facilities.

It must be mentioned that a majority of people have neither the skills nor the inclination to be entrepreneurs, so credit can not change them to a successful managers.

Many cooperatives never start any significant economic activity, despite of receiving loans, or they have to shot down their activities very soon. The remaining part is consisted of small private firms which are registered as cooperatives either to enjoy governmental financial supports or to benefit from tax exemption or both. These companies in many cases are managed by male owners who introduce their female relatives and friends as the members of cooperatives while in practice neither there is equal share of capital nor firms are run democratically.

More than a quarter century has passed from establishing new form of cooperatives in Iran. But in Mazandaran, similar to other parts of the country, genuine cooperatives are rare. In most cases the owners of private firms, by registering under the name of cooperatives, have used the financial support of the Ministry of Cooperatives.

During past 4 decades Iranian women have increasingly entered the labor market. But due to the insufficient job opportunities, the unemployment rate among active women has increased. So the government implemented policies to support women's economic activities. Government has given priority to "Women's Cooperatives" in order to facilitate the process of getting cheap credits.

Iranian's Women's Cooperatives" started its operation formally in 1997. A glance at its 8 years performance reveals that government financial support is neither a sufficient nor a necessary condition for an active and successful cooperative firm. In fact considerable part of the public budget has been poured into channels that have not created sustainable jobs.

The performance of women's cooperatives in Mazandaran show clearly that the governmental financial helps, without supplementary educational, cultural and

social programs would waste scarce resources and results in unsustainable and casual employment.

A large part of the women's cooperatives are active in producing handicrafts and clothing. They do not need huge amount of capital and the process of production mostly occurs in the homes of casual laborers who receive piece work earning and do not benefit from any type of social security. Therefore despite the government objectives of creating sustainable employment in cooperative sector, women's cooperatives have not been successful in providing job opportunities for job seekers.

Large part of women's cooperatives receives the loan and divide it between the members to solve the family problems.

The necessary condition for expanding economic activities of women is social awareness of the abilities and talents of women. If the society as a whole, and specially the women themselves, do not believe in the fact that women can run businesses successfully and can be a powerful force for economic growth, providing financial support for persuading women to establish cooperatives ultimately creates rent seeking activities among the groups who have close relations with top of the bureaucratic pyramid. So without harmonious cultural and educational programs in different level (mass media, formal and informal education and training...) providing financial helps just creates artificial cooperatives that have no contribution to employment and production.

At present there are different government institutions that support medium and small enterprises, cooperatives, entrepreneurship.... These institutions must be concentrated in a single organization and provide the necessary positive business environment for newly established small firms. Meanwhile, cooperation between government institutions and NGOs can accelerate the process of increasing the awareness of the society regarding the women talents and abilities, and facilitate the supervision of the use of credit in small firms.

Unfortunately there are no quick, easy, fail-safe or cheap solutions for unemployment. It should be said that credit facility is not a panacea. The provision of loan is only one instrument among others that will help small entrepreneurs to grow and develop. NGOs involvement in project implementation and close monitoring of loan performance can help to achieve better result from credit facilities, which in the case of Iran were absent.

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